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FM SITUATION ROOM
TO RODMAN/LORD FOR DR. KISSINGER
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AUGUST 15, 1972

MEMORANDUM FOR DR. KISSINGER
FROM: JIM FAZIO

SUBJECT: ADDITIONAL INFORMAVUON ITEMS

MESSAGE FROM EGYPTIAN WAR MINISTER: GERHART MERTENS, A GERMAN ARMS MERCHANT WHO CLAIMS TO BE CLOSE TO EGYPTIAN WAR MINISTER SADIQ, HAS TOLD OUR DCM IN TRIPOLI THAT SADIQ DESIRES WESTERN COUNTRIES WITH NAVAL FORCES IN THE MEDITERRANEAN, "PARTICULARLY THE U.S.," TO PAY NAVAL VISITS TO MARSA MATRUH, ALEXANDRIA AND PORT SAID. SUCH VISITS ARE NOW NOT ONLY WELCOME BUT HIGHLY IMPORTANT TO SHOW THAT EGYPT IS FULLY IN CHARGE AFTER EVICTING THE SOVIETS. MERTENS CLAIMED THAT THIS MESSAGE CAME THROUGH LOUD AND CLEAR FROM BOTH SADIQ AND ONE OF HIS CLOSEST AIDES.

THERE MAY BE SOMETHING IN THIS REPORT, BUT THIS IS A RATHER STRANGE CHANNEL TO GET THE MESSAGE OUT. PRESUMABLY WE WILL SOON HEAR MORE ABOUT THIS, IF THERE IS ANYTHING TO IT.
(HOSKINSON)

DOS Review Completed

INDIAN DEBT RESCHEDULING: FINANCE SECRETARY I.G. PATEL HAS CALLED IN OUR CHARGE TO SAY THAT, ON THE ADVICE OF THE WORLD BANK, INDIA HAD DECIDED TO DEAL BILATERALLY WITH THE CONSORTIUM MEMBERS ON THE ISSUE OF DEBT RESCHEDULING. ACCORDING TO PATEL, JAPAN AND GERMANY ARE "WILLING TO ACCOMMODATE" BY POSTPONING REPAYMENT OF \$11 MILLION AND \$4 MILLION RESPECTIVELY WITH THE UNDERSTANDING THAT THESE POSTPONED PAYMENTS WILL BECOME PART OF A SUBSEQUENT DEBT RESCHEDULING AGREEMENT. THEN PATEL SAID THAT, ACTING ON THE ASSUMPTION THAT THE U.S. WAS STILL INTERESTED IN DEBT RELIEF, INDIA HAS DECIDED THAT THE TIME IS APPROACHING TO POSTPONE CERTAIN PAYMENTS AND "SUGGESTS THAT IT NEED NOT MAKE PAYMENTS" DUE SEPTEMBER 1 ON AID-TYPE LOANS SUCH AS WHEAT, DEVELOPMENT AND PL 480 LOANS. PATEL SAID HE HOPED THAT THE \$32 MILLION IN U.S. LOANS COMING DUE IN SEPTEMBER WOULD BE ROUGHLY EQUIVALENT TO THE \$29 MILLION DEBT RESCHEDULING WHICH INDIA HAD BEEN GIVEN TO UNDERSTAND THAT THE U.S. WAS CONSIDERING."

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ON-FILE NSC RELEASE INSTRUCTIONS APPLY

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THE INDIANS APPARENTLY ARE TRYING TO SMOKE OUT THE REAL U.S. POSITION ON DEBT RESCHEDULING. AS YOU KNOW, FOLLOWING KEATING'S UNPLEASANT FAREWELL CONVERSATION WITH MRS. GANDHI, SECRETARY ROGERS HAD DR. HANNAH ASK MCNAMARA TO POSTPONE THE CONSORTIUM MEETING SCHEDULED FOR AUGUST 4 WHICH HE DID FOR TWO MONTHS ON HIS OWN RESPONSIBILITY FOR "TECHNICAL REASONS." THE INDIANS, OF COURSE, SUSPECT THAT WE WERE BEHIND THIS MOVE AND ARE OUT TO BLOCK ANY DEBT RESCHEDULING AGREEMENT. IN A NUTSHELL, OUR PROBLEM NOW IS THAT IF WE DO NOT GO ALONG WITH THE UNILATERAL INDIAN MOVE IT WILL CONFIRM THEIR WORST FEARS AND COULD PRECIPITATE A MUCH LARGER INDIAN DEFAULT. IF, HOWEVER, WE GO ALONG WITH PATEL'S PLOY WE WILL IN EFFECT BE AGREEING TO DEBT RESCHEDULING NOW AND THE INDIANS WILL HAVE GOTTEN AROUND THE MCNAMARA "DELAY." (HOSKINSON)

ALLENDE STRESSES PARTY UNITY: IN A PRESS CONFERENCE LAST WEEK, CHILEAN PRESIDENT ALLENDE EXPRESSED HIS FRUSTRATION WITH THE LACK OF UNITY BEING DEMONSTRATED BY THE PARTIES WITHIN THE GOVERNING POPULAR UNITY (UP) COALITION. HE STRESSED THE NEED FOR DISCIPLINE AND COMMON DEFINITIONS AND GOALS AS IMPERATIVE TO THE JOINT EFFORT TO CREATE A REVOLUTIONARY MENTALITY AMONG THE MASSES. THE EMBASSY COMMENTS THAT ALLENDE'S EMPHASIS ON THE NEED FOR PARTY DISCIPLINE REFLECTS AN ATTEMPT TO FORESTALL FURTHER DIVISIVE ACTIVITIES SUCH AS THE PEOPLE'S ASSEMBLY WHICH WAS HELD RECENTLY IN CONCEPCION WITH THE SUPPORT OF SOME OF THE UP PARTIES. (JORDEN)

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